

UNITED STATES DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION
ROCKY MOUNTAIN REGION
Loveland Area Projects

**REACTIVE SUPPLY AND VOLTAGE CONTROL FROM
GENERATION SOURCES SERVICE**

Applicable

To maintain transmission voltages on all transmission facilities within acceptable limits, generation facilities under the control of the Western Area Colorado Missouri Balancing Authority (WACM) are operated to produce or absorb reactive power. Thus, Reactive Supply and Voltage Control from Generation Sources Service (VAR Support) must be provided for each transaction on the transmission facilities. The amount of VAR Support supplied to the Customer's (Loveland Area Projects (LAP) Transmission Customers and customers on others' transmission systems within WACM) transactions will be based on the VAR Support necessary to maintain transmission voltages within limits that are generally accepted in the region and consistently adhered to by WACM.

The Customer must purchase this service from the WACM operator. The charges for such service will be based upon the rate outlined below.

The LAP charges for VAR Support may be modified upon written notice to the Customer. Any change to the charges for VAR Support will be listed in a revision to this rate schedule issued under applicable Federal laws, regulations, and policies and made

**Rate Schedule L-AS2
SCHEDULE 2 to Tariff
October 1, 2007**

part of the applicable service agreement. The Rocky Mountain Region (RMR) will charge the Customer under the rate then in effect.

Credit may be given to those Customers with generators providing WACM with VAR Support. Any crediting arrangements must be documented in the Customer's Service Agreement.

Unauthorized Use of Balancing Authority Services

If a Customer (including the transmission provider for third-party sales) engages in unauthorized use of RMR-managed transmission systems, the Customer shall be charged 150 percent of the demand charge for the type of service at issue (reserved); e.g., hourly, daily, weekly, or monthly, with a maximum demand charge set at monthly.

Unauthorized use is defined as unscheduled or untagged use of the transmission system and any affiliated ancillary service exceeding reserved capacity at any point of delivery or receipt. Unauthorized use may also include a Customer's failure to curtail transmission when requested.

Effective

The first day of the first full billing period beginning on or after March 1, 2004, through February 28, 2009.

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Formula Rate

Total Annual Revenue Requirement for Generation = TARRG
Percentage of Resource Capacity Used for VAR Support = % of Resource

$$\begin{array}{lcl} \text{WACM} & & \text{TARRG x \% of Resource} \\ \text{VAR Support} & = & \text{-----} \\ \text{Rate} & & \text{Load in the Balancing Authority Requiring VAR Support} \end{array}$$

Rate

The rate to be in effect October 1, 2007, through September 30, 2008, is:

Monthly: \$0.150/kW-month
Weekly: \$0.035/kW-week
Daily: \$0.005/kW-day
Hourly: \$0.000208/kWh

This rate is based on the above formula and on FY 2006 financial and load data.